

investigations of suspicious activity. Unfortunately, such teamwork does not always exist today, in part, because of uncertainties regarding the privacy of customer information.³⁴

In summary: A LIDB cannot prevent calling card toll fraud. It can only aid in detecting fraudulent activity and limiting resulting losses. The effectiveness of LIDB detection capabilities is highly dependent on it actually being used and on complete information being provided to it, such as called and calling number data.

C. LIDB owners should not be required to compensate IXCs for called and calling number information.

The Commission (NPRM at ¶137) sought comment on whether carriers should be compensated for providing called and calling number information in connection with a LIDB query. Most IXCs supported this idea. LIDB owners, however, oppose any requirement to compensate a carrier for information that is ultimately used to provide a direct benefit to that same carrier in the form of enhanced fraud prevention and detection capabilities.³⁵

A requirement for payment would be nonsensical as LIDB owners do not need the information to operate their LIDBs. It is needed *only* for toll fraud prevention³⁶ and detection of fraud occurring on IXC networks. Thus, the IXCs would be a primary beneficiary if that information were made available to the LIDBs. Moreover, the cost of providing the information would be minimal, involving only modifications to SS7 networks.³⁷

³⁴ See MCI at 16. This is a problem that could easily be addressed through new legislation.

³⁵ See US Intelco at 6; SNET at 8; Bell South at 12.

³⁶ For example, Domestic-only calling cards.

³⁷ See GTE at 20; SWBT at 12.

Mandated compensation would also result in higher LIDB query rates roughly equal to the amount of compensation provided to the IXC -- a zero-sum-game requiring administrative effort by all parties with no net difference in revenues for anyone.

In summary. LIDB owners should not be required to compensate IXCs for providing called and calling number information with a LIDB query. The costs are minimal and the benefits accrue directly to the party providing the information. Inclusion of costs for called and calling number information in LIDB rates would result in additional administrative expenses with no net revenue difference to anyone.

D. LIDB owners should not be liable for calling card toll fraud that is beyond their control.

Calling cards are premised upon the extension of credit -- they are not debit cards.³⁸ As with any credit card, there is a promise to pay rather than an absolute guarantee of payment. The entity accepting the card can obtain only an indication of the likelihood of payment from the "credit status" indicator in the LIDB response. In no way is this "credit status" a guarantee of payment.³⁹ The interexchange service provider must accept the risk of nonpayment for calling card calls just as it does with 1+ calls from residential customers.⁴⁰ As previously discussed, a LIDB, even if properly used by everyone concerned, can only limit the magnitude of losses, it cannot prevent them.

³⁸ See GTE (at n.19) for a discussion of the difference between calling cards and conventional credit cards.

³⁹ See US West at 35-36; SWBT at 11.

⁴⁰ TFS (at 14) expressed concern over LEC calling card issuing practices. GTE is in the process of implementing a system designed to address these concerns. However, GTE is unaware of changes or anticipated changes to IXC credit card issuing practices.

Accordingly, GTE and other LIDB owners are opposed to any arbitrary assignment of liability for calling card fraud that is beyond their direct control.⁴¹ Certainly, no liability should be assigned to a LIDB owner if the IXC does not launch a query.⁴² Similarly, if called and calling number information is not provided, the LIDB owner's exposure should be limited accordingly.⁴³ Cries for exchange carriers to assume full responsibility for all calls preceded by a LIDB query, whether or not called and calling number have been provided, must be rejected as unrealistic and unreasonable.⁴⁴

Nevertheless, should the Commission mandate action that results in increased costs to LIDB owners, rates for LIDB queries must be correspondingly increased to reflect the "insurance" that is being provided with each LIDB query.⁴⁵ As GTE previously discussed, exogenous treatment for Price Cap exchange carriers would be necessary.

It also would be appropriate for any liability sharing process to limit the LIDB owner's exposure on any given call to the amount of revenues the LIDB owner actually receives from handling that call.⁴⁶ The LIDB owner collects revenues associated with a LIDB query, and sometimes access charges if the LIDB owner is also the access provider. Holding a LIDB owner responsible for IXC international charges would not be equitable, especially since the LIDB owner cannot monitor an especially prevalent type of fraud; *i.e.*, long duration calls.

⁴¹ GTE only directly controls the proper operation of the LIDB system.

⁴² See SNET at 6; Sprint at 18.

⁴³ See Pacific Bell at 18; Bell South at 12-13; PAPUC at 13.

⁴⁴ See AT&T at 33-34; MCI at 14. MCI's recommendation that LIDB owners be provided with called and calling number only on the condition that they accept full liability for fraud is also unacceptable.

⁴⁵ See NYNEX at 10; SWBT at 12.

⁴⁶ See Pacific Bell's taxi driver analogy (at 9).

In summary: LIDB owners should not be assigned any liability for calling card fraud that is beyond their control. However, should the Commission decide to allocate liability in this manner, the resulting increase in costs must be passed on to LIDB customers in the form of higher LIDB query rates. In no event should the LIDB owner's liability for fraudulent calls exceed its total revenues from them.

E. Commission action should be limited to requiring that IXCs and OSPs query a LIDB with every calling card call and provide called and calling number information.

Commission action regarding calling card fraud should be limited to requiring IXCs and OSPs to query a LIDB for each and every call, and provide the called and calling number. As discussed above, without a LIDB query, there is little possibility of detecting fraud until the card holder receives the monthly bill. Provision of called and calling number information would permit existing LIDB detection systems to function most effectively.

The Toll Fraud Subcommittee of the Interexchange Carrier Industry Committee states (at 15) that if called and calling number information were required, provision of the entire number would not be necessary. It suggests that the NPA-NXX would be sufficient. GTE disagrees.⁴⁷ The entire ten-digit number associated with a domestic call should be provided. While in some instances the NPA-NXX alone could indicate a possibly suspicious pattern,⁴⁸ the entire number is necessary to enable LIDB owners and LIDB users to create and maintain suspicious number lists to aid in investigating suspected toll fraud.

With respect to international calls originating in the United States, AT&T (at n.45) suggests that only the country code should be provided. GTE does not support this position. The full telephone number is necessary to provide an

⁴⁷ AT&T (at n.45) also supports the provision of the full ten-digit number for domestic calls.

⁴⁸ See APCC (at 20) regarding calls to 809 area codes.

investigator any chance of learning the identity of the perpetrator. Fraud investigations typically start by contacting the called number in an attempt to learn the identity of the calling party. Unless an investigator can provide the foreign telephone company with the called number, there is no chance of identifying the foreign called party, much less the calling party.

Sprint (at 15-16) recommends establishment of "certain minimum industry-wide LIDB service standards (to be determined based upon discussions in appropriate industry fora with their customers)." These "standards" apparently would include: (i) setting fraud trigger thresholds; (ii) steps to take upon receipt of a fraud referral; (iii) normal and emergency update processes; and (iv) actions to take upon discovering a suspicious calling pattern. While GTE shares Sprint's concern that there be no wasteful duplication of effort, GTE is opposed to the creation of a standard set of LIDB operational processes.

Each LIDB owner already has developed processes and procedures that suit its own operating systems and unique set of circumstances.⁴⁹ GTE is continually improving its LIDB administration.⁵⁰ GTE also wishes to cooperate

⁴⁹ For example, each LIDB owner has its own customer record systems from which LIDB data are drawn. A typical update process involves obtaining update information each night for that day's activity. If the standard were to require more frequent updates, costly system revisions might be required. Emergency updates are handled differently by each LIDB owner, not only because each LIDB owner has its own administrative procedures and organizational structure, but also because emergency information may be obtained from many different sources. In GTE's case, the goal is to complete emergency updates as soon as a problem is identified, and always within two hours for all GTE telephone subscribers. But, the GTE LIDB also contains the records of more than forty small independent telephone companies and the process by which they provide normal and emergency information to GTE varies across companies. Consequently, the imposition of a standard process could have costly operational consequences.

⁵⁰ For example, GTE is currently working with a vendor on a system that would allow LIDB customers to provide fraud referrals electronically.

with LIDB customers to prevent duplication of effort and to ensure that nothing "slips through the cracks."⁵¹ But, GTE opposes imposition of rigid "one-size-fits-all" standards. Adoption of Sprint's recommendation could either force impossibly rigorous standards on everyone or require the lowest-common-denominator approach to be adopted. Neither approach has the flexibility to meet the varied needs of both LIDB owners and LIDB customers.

In summary: IXCs and OSPs should be required to query a LIDB on every call, and provide called and calling number information. The Commission should not mandate standardized LIDB operational procedures as they could be too costly and inflexible for LIDB owners.

V. COMMISSION INVOLVEMENT CAN PROVIDE VALUABLE ASSISTANCE TO ONGOING INDUSTRY EFFORTS.

A. The Commission should assume the lead in promoting new federal anti-fraud legislation.

The call for broader and tougher federal anti-fraud legislation is a loud one.⁵² In too many cases, efforts at prosecuting perpetrators of toll fraud have been stifled by legal technicalities made possible through the wording of existing laws. In many other cases, no existing law applies simply because of the manner in which the fraud was perpetrated. No matter how much time and money is spent in weeding out the perpetrators of toll fraud, the deterrent effect of such efforts is zero if the culprits escape with only a "slap on the wrist."

⁵¹ GTE and Sprint have already discussed operational procedures and have created a mutually acceptable process for handling fraud referrals. Similar discussions with MCI and AT&T are currently in progress.

⁵² See AT&T at 37-38; MCI at 18-20; WilTel at 9; Sprint at 2; LinkUSA at 1; PAPUC at 3; UTC at 3; NT at 7; API at 19; ISLU at 3; SNET at 3; BellSouth AT 2.

The Commission must lead the industry effort in lobbying Congress for new, more comprehensive legislation that would put some teeth into prosecution efforts. Laws must be drafted that are flexible enough, not only to address existing forms of fraud, but to apply to as yet unknown fraud techniques. Until such laws are on the books, a potent weapon in the arsenal against toll fraud will be missing.

B. The Commission should endorse the creation of and be an active participant in an industry panel designed to function as a central source for toll fraud assistance, information and education.

As reflected in its comments, GTE supports the concept of an industry panel with Commission participation designed to function as a central source for assistance, information and education regarding toll fraud.⁵³ The numerous fraud prevention efforts that currently are ongoing can only benefit from enhanced coordination, cooperation and information sharing. An industry panel could compile information from virtually every segment of the industry, as well as from customers, and serve as a centralized clearinghouse for information on new fraud prevention and detection techniques, as well as issuing warnings on new forms of fraud.

An industry panel also could serve as a focal point for a cooperative legislative and regulatory effort to establish methods for sharing customer information.⁵⁴ It is very important to find a way to permit access to necessary information, while safeguarding privacy, to enhance the effectiveness of toll fraud investigations.

⁵³ Numerous comments recommend the creation of some form of an advisory body. See City of New York at 3; SCOIR at 2; NJPA at 3; LinkUSA at 5; APCC at 3; ICA at 5; NATA at 9; SNET at 2; BellSouth at 2.

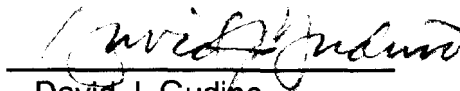
⁵⁴ See MCI at 15-17; LinkUSA at 7; SNET at 12.

Although GTE believes that the industry can achieve the global participation it needs on its own, an industry panel could assist greatly in realizing this goal in a much shorter period of time.

In summary: The Commission must lead the industry in lobbying Congress for badly needed new federal anti-fraud legislation. Until new laws are enacted, toll fraud prosecutions will continue to meet with only sporadic success. In addition, the Commission should endorse creation of and be an active participant in an industry panel designed to function as a central source for toll fraud assistance, information and education.

Respectfully Submitted,

GTE Service Corporation and its affiliated
domestic telephone, equipment and service
companies

A handwritten signature in dark ink, appearing to read "David J. Gudino", is written over a horizontal line.

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February 10, 1994

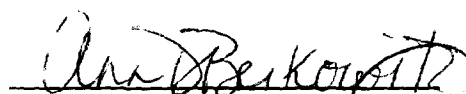
Their Attorney

ATTACHMENT A

API - American Petroleum Institute
APCC - American Public Communications Council
ACUTA - Association of College & University Telecommunications Administrators, Inc.
Bell Atlantic - Bell Atlantic
BellSouth - BellSouth Telecommunications, Inc. and BellSouth Cellular Corporation
CTIA - Cellular Telecommunications Industry Association
CompTel - Competitive Telecommunications Association
Ericsson - Ericsson Corporation
FPTA - Florida Pay Telephone Association, Inc.
IPANY - Independent Payphone Association of New York, Inc.
ICA - International Communications Association
LinkUSA - LinkUSA Corporation
McCaw - McCaw Cellular Communications, Inc.
MCI - MCI Telecommunications Corporation
MPA - Massachusetts Payphone Association, Inc.
New York City - New York City Department of Telecommunications & Energy
NATA - North American Telecommunications Association
Northern Telecom or NT - Northern Telecom, Inc.
NYNEX - NYNEX Corporation
Pacific - Pacific Bell & Nevada Bell
PAPUC - Pennsylvania Public Utility Commission
Pinellas County - Pinellas County Florida
Rochester - Rochester Telephone Corporation
SCOIR - South Carolina State Office of Information Services
SNET - Southern New England Telecommunications Corporation
SWBT - Southwestern Bell Corporation
Sprint - Sprint Corporation
TRA - Telecommunications Resellers Association
US Intelco - U.S. Intelco Networks, Inc.
US West - US West Communications, Inc.
UTC - Utilities Telecommunications Council
WilTel - WilTel, Inc. & WilTel Communication Systems, Inc.

Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Reply Comments of GTE" have been mailed by first class United States mail, postage prepaid, on the 10th day of February, 1994 to all parties of record.


Ann D. Berkowitz